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Shanghai to your shelf: Logistics and supply chain industrial real estate

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The New England Chapter of the Counselors of Real Estate recently held its final program of the 2013 calendar year - From Shanghai to Your Shelf: Logistics and Supply Chain Industrial Real Estate Decisions in the 21st Century - Connecting the Dots Back to the Consumer presented by Rob Nahigian, FRICS, SIOR, CRE, MCR.

Nahigian's presentation addressed the future of logistics and supply chain decision making, exploring the current supply chain from Asia to the U.S., the new game changer in 2015 that may disrupt global supply chain routes and how the industrial supply chain will be a different landscape in the next two years.

Defining Supply Chain,
Logistics and Intermodal

* Rent is one of the smallest expenses in the supply chain - typically ranging from 4-5% of total costs. The largest costs are transportation and inventory, typically 50% and 25-30% of costs, respectively.

* The most significant decision in the area of transportation expense is to centralize distribution or to use multiple locations.

* The least expensive transportation cost is sea, then rail, truck and air (most expensive).

* The key factor is how to get the product back to the US consumer - the largest consumer market in the world.

Expansion of the Panama

Canal: 2015 Game Changer?

* The Panama Canal (comprised of two canal lanes) was completed in 1913 and accommodates ships with 39' depths.

* A third canal will be completed in 2015 and will accommodate much larger vessels up to 160' wide and be deep enough to handle most modern ships.

* Using the Panama Canal shortens delivery time to the eastern US markets compared to delivery to west coast ports and associated truck or rail transport to the east coast.

Shipping, Harbors and

Ports: Critical Factors

* Although the expanded Panama Canal provides a new shipping option, other important factors include drayage costs, available crane and unloading facilities and passage factors such as bridges.

* Drayage, including costs to hold and unload inventory at the port, is a significant factor as well as the number of cranes available to unload cargo. For example, there are 85 cranes at the Port of Los Angeles and six in Boston.

* Bridges in a harbor are also a constraining factor. As larger boats begin to traverse the Panama Canal, entry to some east coast ports is hampered by bridges that may not high enough for a ship to pass. (For example the Port of New Jersey is raising two bridges in anticipation of receiving larger ships.)

* Nahigian noted that some of the limitations in Boston include the inability to dredge significantly lower than the current 43' harbor depth due to the subway and car tunnels.

Nahigian closed with a summary of models used by logistics companies in making their real estate space decisions. His demonstrated that while rent is a consideration, it is only one of a number of factors that are evaluated and ranked.

The final event of the NE CRE 2013 year will be the Annual Holiday Reception on December 12th at the UMASS Club at 225 Franklin St. Invitations have been sent.

2013 Chapter Officers

* Jill Hatton, TurtleRock Investment Management, chapter chair

* Peter Nichols, NorthStar Ally LLC, vice-chair

* John Baczewski, Real Estate Fiduciary Services, LLC/treasurer, board member

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* Harris Collins, CBRE - NE Partners, board member.

Jill Hatton, CRE, is the 2013 New England/Upstate N.Y. CRE chapter chair, Boston, Mass.

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